

## **CVP Cost Allocation Study Decision Paper: Allocation of New Melones Unit Costs**

### **Date**

June 5, 2015

### **Purpose of Paper**

Reclamation decision on using the U.S. Department of the Army, Corps of Engineers (Corps) Allocation for New Melones Unit for the CVP Cost Allocation

### **Current Status**

The New Melones Unit was first authorized by the Flood Control Act of 1944 and reauthorized by Section 203 of the Flood Control Act of 1962, 887 Pub. Law 874, 76 Stat. 1191 (Act). Under the Act, upon completion of construction by the Corps of the dam and power plant in 1979, Congress directed that, “the project shall become an integral part of the Central Valley project, and be operated and maintained by the Secretary of the Interior pursuant to the Federal reclamation laws, except that the flood control operation of the project shall be in accordance with the rules and regulations prescribed by the Secretary of the Army.” The project was authorized to be constructed by the Corps, substantially in accordance with House Document No. 453.

Reclamation has been using the Corps cost allocation for the New Melones Unit since it became an integrated part of the CVP. A decision on whether it is appropriate to continue using the Corps allocation or for Reclamation to develop its own allocation factors for New Melones is required. We are not aware of any statute which would prohibit Reclamation from modifying an initial cost allocation prepared by the Corps. When Congress directed that the project become an integral part of the CVP, pursuant to Reclamation law, it subjected New Melones to the cost allocation authority of the Secretary of the Interior. The one caveat may be that because Congress did not authorize Reclamation to regulate the flood control operations of New Melones, any new cost allocations should be consistent with the current Corps’ flood control rules and regulations for New Melones.

We have concluded that Reclamation has the authority to undertake and implement its own cost allocation consistent with existing laws, including the Act and Section 302 (3) of the Department of Energy Organization Act, to the extent applicable.

Currently, the largest effect of Reclamation undertaking its own cost allocations for New Melones will be in connection with costs assigned to the recreation purpose. The current Corps allocation assigns approximately \$50 million in costs to the recreation purpose. Under the Act, the costs for constructing recreation facilities and acquiring recreation lands are to be non-reimbursable and nonreturnable. In the Corps cost allocation, the assumption was made that there would be a large development of recreation at New Melones. However, recreation development did not occur as expected. Therefore, if Reclamation assumes the responsibility for determining cost allocation factors for the New Melones Unit, the amount of costs assigned to recreation will diminish significantly.

## **Decision**

Based on the information described in this paper, Reclamation will assume responsibility for determining its own cost allocation factors for New Melones.

If you have further questions, please contact Brooke Miller-Levy at (916) 978-5296, or [bmillerlevy@usbr.gov](mailto:bmillerlevy@usbr.gov) or Kristin White at (916) 979-0268, or [knwhite@usbr.gov](mailto:knwhite@usbr.gov).